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Governor McCallum Appoints Herrera

Governor Scott McCallum announced on March 30, 2001, that he had appointed Oscar Herrera as the Secretary of the Department of Regulation and Licensing. Herrera has served sixteen years in state government including from 1999 to the time of his appointment as the Director of the Bureau of Minority Business Development in the Department of Commerce. From 1992 to 1998 he was the Director of the Wisconsin Coastal Management Program in the Department of Administration, and from 1985 to 1991 worked as a program and planning analyst with the Coastal Management Program. He was twice awarded the Department of Administration's Exceptional Performance Award.

Herrera was born and raised in Mexico City. He obtained a Bachelor's degree in Economics from the National University of Mexico and a Master's degree in Agricultural Economics from the University of Chapingo in Mexico. He also attended the University of Wisconsin-Madison where he obtained a Master's degree in Continuing and Vocational Education and completed Doctoral studies (Ph.D.abd) in Development.

WISCONSIN ACCOUNTING EXAMINING BOARD

Board Members

Frank Probst, Chair (Brookfield)
Sharon Hamilton, Vice Chair (Racine)
Roman Jungers III, Secretary (Waupaca)
Frederick Franklin (Milwaukee)
Thomas Kilkenny (Milwaukee)
Vacancy (Public Member)

Administrative Staff:

Katharine Hildebrand, Bureau Director

Executive Staff:

Oscar Herrera, Secretary
William J. Conway, Deputy Secretary
Myra Shelton, Executive Assistant

Secretary Herrera Appoints Hildebrand

On June 1, 2001, Secretary Oscar Herrera appointed Katharine Hildebrand as the new Director of the Bureau of Business and Design Professions. Ms. Hildebrand comes to the Department of Regulation and Licensing from the Office of the Governor where she worked since 1999. She served on the Education Policy Team under former Governor Tommy Thompson, and became Education Policy Advisor for Governor Scott McCallum. Ms. Hildebrand grew up in Neenah, and earned her Bachelor's degree from Smith College in Massachusetts.

Board Member Information

Governor Scott McCallum has reappointed the following Board members:

- Roman M. Jungers II (Waupaca) as a public member. His 4-year term will expire July 1, 2005. Mr. Jungers is a funeral director at A. J. Holly & Sons Ltd.
- Thomas J. Kilkenny (Milwaukee) as a professional member. His 4-year term will expire July 1, 2005. Mr. Kilkenny is an Assurance and Business Advisory Partner at Arthur Andersen LLP.

CPA Applicants: Note the New One-year Experience Requirement.

CPA applicants who have passed the examination are advised to review the new one-year experience

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requirement. As noted below, the law now requires an applicant for a CPA certificate to have one year of public accounting experience or its equivalent as determined by the Board. The board will begin applying this new requirement at its next meeting.

CPA Law Modernized in State Budget Act

The Budget Act recently signed by Governor Scott McCallum includes several law changes relating to certified public accountants. The new Act deletes antiquated provisions related to CPA licensing and implements the new Uniform Accountancy Act.

The Act requires the Accounting Examining Board to adopt the AICPA's *Statements on Auditing Standards*, *Statements on Standards for Accounting and Review Services*, and the *Standards for Attestation Engagements*. The term "attest service" is defined as:

- An audit or any other engagement that is performed or intended to be performed in accordance with the Board's rules adopting the *Statements on Auditing Standards*.
- A review of a financial statement that is performed or intended to be performed in accordance with the Board's rules adopting *Statements on Standards for Accounting and Review Services*.
- An examination of prospective financial information that is performed or intended to be performed in accordance with the Board's rules adopting statements on standards for attestation engagements

Changes are made to the requirements for CPAs. The bill requires an applicant for a CPA certificate to have one year of public accounting experience or its equivalent instead of two years as previously required. Licensing exemptions are created for a person who either:

- Performs services involving the use of accounting skills, the preparation of tax returns, or the preparation of financial statements without issuing reports on the statements; or,
- Prepares financial statements and issues information on the statements that do not purport to comply with the *Statements on Standards for Accounting and Review Services* issued by the AICPA.

Important changes are made to the requirements for CPA firms:

- A "firm" is defined as a proprietorship, partnership, limited liability partnership, corporation, service corporation, or limited liability company. "Member of a firm" means

"... a director, manager, employee, officer, owner, shareholder, principal, or partner of a firm."

- If any person with an ownership interest in the firm does not hold a certificate as a certified public accountant, the firm must designate a CPA as the individual responsible for the firm's compliance with state law regarding accounting.

A firm that applies for a license must demonstrate each of the following:

- That more than 50% of the ownership interest of the firm is held by licensed CPAs;
- That each person who holds an ownership interest in the firm, and who is not a CPA, is an individual who actively participates in the firm or an affiliated entity; and,
- That all attest services provided by the firm in this state are under the charge of a CPA.

The Board will adopt rules for determining ownership interest in a firm.

Renewal requirements for firms are modified. A firm that applies to renew its license must provide the same information and make the same demonstrations that are required for initial issuance of the license.

After January 1, 2005, a firm that applies for license renewal must have a peer review at least once every three years. A person who conducts a peer review may not disclose to any person, including the Board or the Department of Regulation and Licensing, information or documents produced from the review, unless the firm undergoing the review consents to the disclosure.

Commissions, Contingent Fees and Referral Fees

A "contingent fee" is a fee established for any service according to an arrangement in which no fee will be charged unless a specified finding or result is attained, or in which the amount of the fee depends on the finding or result of the service. A "commission" is compensation for recommending or referring any product or service supplied by another person, other than the services of a CPA. A "referral fee" is compensation for recommending or referring any service of a CPA.

With certain exceptions and under specified conditions, Wisconsin CPAs may charge contingent fees and commissions, and receive referral fees.

- Contingent Fees. With one general exception, a CPA may charge a contingent fee if the contingent fee agreement is in writing, signed by the client, states the method by which the fee is

to be determined and describes all costs and expenses to be charged to the client. At the conclusion of the matter, the CPA must provide a written statement showing the fee and all the costs and expenses charged to the client. A CPA is prohibited from receiving a contingent fee from a client if the CPA performs attest services for the client and the contingent fee is paid during the period of the attest services engagement or the period covered by any historical financial statements involved in the attest services.

- **Commissions.** Generally, a CPA may receive a commission if at the time the referral or recommendation is made, the CPA informs the client in writing of the amount and reason for the commission. A CPA is prohibited from receiving a commission from a client if the CPA performs attest services for the client or may receive a commission for any products or services sold to any person for whom the accountant performs attest services. This restriction applies during the period of the attest services and the period covered by any historical financial statement involved in the attest services.
- **Referral Fees.** A CPA may receive a referral fee if the CPA discloses to the client, in writing, at the time the referral is made, the amount of and reason for the referral fee and the accountant who pays the referral fee discloses to the client, in writing, within 30 days after the referral is made, the amount of and reason for the referral fee.

There is no exception in the Wisconsin Code, similar to an AICPA rule, that permits a CPA to receive a contingent fee from a person for whom the CPA performs attest services where the fee is set by courts or other public authorities, such as in tax matters, where the fee is determined based on the results of judicial proceedings or the findings of governmental agencies.

Questions about commissions, contingent fees and referral fees may be resolved by consulting the Board's administrative rule, Wis. Admin. Code § Accy 1.302.

Renewal of Licenses

All certified public accountant and accounting firm licenses will expire on December 31, 2001. Renewal application materials will be mailed to all current licensees in mid-November 2001. Renewal applications received by the Department after the deadline date of December 31, 2001, will be assessed a \$25 late fee. Please notify the

Department of any address changes, by letter, fax (608-267-3816), or e-mail at dorl@drl.state.wi.us.

Individual Licenses. The fee for renewal of an individual CPA license is \$59.

Firm licenses. At the time of renewal, a firm must:

- Pay the renewal fee for firms of \$56.
- Identify each office of the firm that is located in Wisconsin.
- If any person who holds an ownership interest in the firm is not licensed, designate a CPA as the individual responsible for the firm's compliance with Wis. Stat. Ch. 442 and administrative rules of the Board.
- Complete a statement that:
 1. All attest services provided by the firm in this state are under the charge of an individual CPA.
 2. More than 50% of the ownership interest of the firm is held by individuals who are certified public accountants.
 3. Each individual who holds an ownership interest in the firm, but who is not a CPA, actively participates in the firm or an affiliated entity.

No peer review information is required for the December 31, 2001 renewal. However, after January 1, 2005, the department may not renew a firm license unless the firm has had a peer review some time during the years 2002 through 2004.

Formation of Rules Review Committee

Members of the newly formed Accounting Examining Board Rules Review Committee are Board members, Sharon Hamilton, Roman Jungers, III, and Frank Probst. Joseph Stienessen of Stienessen Schlegal & Co. LLC, Eau Claire; and, Kim Tredinnick of Virchow Krause & Co. LLP, Madison also serve on the committee.

The Committee's charge is to review the professional code of conduct and forward recommendations to the board. The Board intends to revise the current administrative rules so the rules are consistent with current practices and better reflect the current ethical standards established by other regulatory agencies, the National Association of State Boards of Accountancy, and the American Institute of Certified Public Accountants.

Disciplinary Actions

None.

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Telephone Directory

The Division of Business Licensure & Regulation has a menu telephone system which is designed to more efficiently direct the caller to the appropriate section. The telephone number for staff is:

(608) 266-5511

After dialing this number you are asked to press various extensions. For the following requests, please press extension numbers as noted:

Application Forms	Ext. 11
Complaints Against Licensees	Ext. 12
Application Processing & Requirements	Ext. 42
Whether A Person Is Registered	Ext. 442
Fax Number	(608) 267-3816

Verifications

Requests for verifications of license, sent to other states must be in writing. **The cost is \$10.** Please make out check or money order to the Department of Regulation and Licensing.

Dates to Remember in 2001

Board Meetings:, October 19, December 14

Exams: November 7-8, 2001

Deadline: 60 days before exam

Visit the Department's Web Site

www.drl.state.wi.us

For our new "Online Verification of Credential Holders" click on "Business and Professional License Lookup" shown on the Department's home page.

Copies of the Regulatory Digest are on the Web.

Send comments to dorl@drl.state.wi.us.

Wisconsin Statutes and Code

Copies of the "Wisconsin Statutes and Administrative Codes for the Accounting Examining Board" may be ordered from the Department.

Include your name, address, county, and a check payable to the Department of Regulation and Licensing in the amount of \$5.28. The latest edition is dated March 1999.

Change of Name or Address?

Please photocopy the mailing label of this digest, make changes in name or address, and return it to the Department. Confirmation of changes are not automatically provided.

WIS. STATS. S. 440.11 ALLOWS FOR A \$50 PENALTY TO BE IMPOSED WHEN CHANGES ARE NOT REPORTED WITHIN 30 DAYS.

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